

**Statement of Richard A. Boucher
Assistant Secretary of State for South and Central Asian Affairs**

before the

**House International Relations Committee
Subcommittee on the Middle East and Central Asia**

April 26, 2006

U.S. Policy in Central Asia: Balancing Priorities (Part II)

Madam Chairman and Members of the Committee: Thank you for inviting me here today to talk with you about our policy in Central Asia. I would like to briefly discuss the challenges we face and how we plan to overcome them in this strategically important region.

The United States supports the development of fully sovereign, democratic and prosperous nations in Central Asia, cooperating with America and with one another to advance regional security and stability. Our strategy rests on three integrated pillars: security cooperation; our commercial and energy interests; and political and economic reform. We see these three pillars as mutually reinforcing. Genuine stability, in our view, requires a process of democratic change, and stability, in turn, provides for economic development and prosperity. Thus, we are determined to pursue all three sets of interests simultaneously in a balanced way. The people of these countries, strategically and individually, deserve choices and opportunities so that they may exercise their independence -- not by relying on one market or power, but by having a variety of options. Our policy is to help them have options.

The recent transfer of responsibility at the Department of State for the Central Asian states into our new Bureau of South and Central Asian Affairs has provided a fresh perspective to our view on how these countries fit into the broader region. We have long sought to support efforts among these states to enhance regional cooperation in trade, energy and border security. Progress has been spotty, and at times has moved in reverse, due to border disputes or the unilateral imposition of border controls and restrictive trade regimes. Yet I am convinced that we are now seeing a new paradigm take shape, helped by a shift in the region's strategic landscape. The opening of Afghanistan has transformed it from an obstacle separating Central from South Asia into a bridge connecting the two. And this in turn opens exciting new possibilities.

The Central Asian states recognize that it is very much in their long-term economic and security interests to build linkages to the south that complement their existing ties to the north and west. They are used to conducting foreign policy based on the assumption that "bad things" -- drugs, terrorists, instability -- come from the south, and must be stopped. But now, while these threats remain, Central Asians are increasingly looking south for

trade partners, export markets and opportunities for security and law enforcement cooperation.

Last October, when Secretary Rice visited Kyrgyzstan, Tajikistan and Kazakhstan, she observed that their citizens see Afghanistan as a part of Central Asia. They understand they have a huge stake in Afghanistan's future, just as we do. They understand that a stable Afghanistan, anchored in the broader region, will be good for their own future stability. And they see the potential economic benefits of reaching new markets to the south, in Pakistan and India.

When I attended a conference on trade and development in Greater Central Asian in Kabul last month, I heard the same message and saw the potential for the Central Asian states to help break Afghanistan out of its geographic isolation and give it access to global markets. Our goal is to revive ancient ties between South and Central Asia and to help create new links in the areas of trade, transport, democracy, energy and communications. At the same time, we seek to preserve and enhance the ties of Central Asian countries to Europe, especially through organizations like NATO and its Partnership for Peace (PfP) and the Organization for Security and Cooperation in Europe (OSCE) as well as the important interests Japan has in Central Asia. While we seek to expand the new relationship between Central and South Asia, we also recognize the well-established historical, cultural and linguistic ties between the countries of Central Asia and the rest of the former Soviet Union, including Russia and the growing relationship with China. In short, our efforts to connect South and Central Asia are aimed at helping all countries in the region to prosper through trade, communications, and people-to-people contacts. Prosperous countries that trade and share ideas are more likely to be stable, peaceful, and less vulnerable to the call of extremism.

The Role of U.S. Assistance

To ensure a democratic and peaceful future for Afghanistan, we must address the dual challenges of narcotics trafficking and economic development. Unless we look for regional solutions to these challenges, the possibility exists that the Afghan economy will remain reliant on drugs and foreign assistance. To prevent this, we need to focus on building a sustainable economic system integrating Central and South Asian markets.

Central Asia faces numerous threats to its stability, including Islamic extremism, a population that remains poor and has little economic opportunity, the post-Soviet legacy of authoritarianism, public perceptions of injustice, and high levels of corruption. As a consequence, nurturing both economic and democratic reform in the region is difficult, even daunting. Furthermore, the repressive and backward-looking authoritarian regimes in Turkmenistan and Uzbekistan may further challenge our efforts to integrate the region and encourage reform and development.

March 24 marked the one-year anniversary of the "Tulip Revolution" in Kyrgyzstan. Nine months ago, the Kyrgyz people held an election that, while failing to meet international standards, was judged by many to be the freest and fairest in Central Asia's

modern history. Since then, the people of Kyrgyzstan have worked hard to consolidate the gains of their democratic experiment. Democratic institutions remain fragile, however, pending constitutional, judicial and other reforms critical to ensuring the people of Kyrgyzstan overcome the challenge of organized crime and corruption to achieve democratic stability.

Kazakhstan, an economic success story, is rapidly becoming one of the top energy-producing nations in the world. We look to Kazakhstan to be a true leader in the region by further advancing democratically, together with continued progress on economic development and infrastructure investment.

U.S. assistance is essential to achieving our policy goals in Central Asia and is designed to address threats to stability while promoting long-term economic and democratic reforms. We are making an effort to think more regionally about our assistance efforts by increasing our regional allocations of Freedom Support Act funding and our Economic Support Funds, and we should focus more on agriculture, and other projects that serve people in the region directly.

In order to support foreign policy goals in this quick-changing environment, we continuously evaluate our assistance strategies, adjusting programs to fit changing realities, and working to ensure that our programs are cost-effective. In Fiscal Year 2006, the U.S. Government has budgeted approximately \$170 million in assistance to Central Asia, focusing our efforts on building civil society capacity, and promoting economic and democratic reform and institutions. We also actively promote regional security through non-proliferation, counter-terrorism, and counter-narcotics cooperation.

Security Cooperation

All of the countries of Central Asia have provided valuable support to Operation Enduring Freedom in Afghanistan through over-flights, refueling support, and, in some cases, basing arrangements. We especially appreciate Kyrgyzstan's support for the Manas Airbase to support Coalition operations. U.S. military assistance programs such as International Military Education and Training and Foreign Military Financing, have been essential tools in modernizing the regions' military forces and creating NATO-interoperable partners.

Central Asia is a geographic crossroads and therefore an attractive potential route for trafficking in weapons of mass destruction, missiles and other related technologies. We are actively working with all five governments as well as Afghanistan to put in place safeguards against such trafficking. Since their independence, the countries of Central Asia have also been an integral part of the United States' nonproliferation strategy. In fact, Kazakhstan was one of the first countries included in Nunn-Lugar Counter-proliferation assistance, and their cooperation with the United States is a benchmark.

We are pleased that most of the countries of Central Asia have endorsed the Proliferation Security Initiative, providing a strong deterrent to the proliferation of weapons of mass

destruction. The Departments of State, Defense, and Energy provide nonproliferation assistance in Central Asia that engages former weapons experts in transparent, sustainable and cooperative civilian research projects. We also help deliver basic training and equipment to border guards and customs officials to detect nuclear materials transit and secure borders. In Afghanistan, we are developing the Border Management Initiative that will partner with the Government of Afghanistan and other international donors to develop integrated border facilities which will improve border security and increase government revenues from customs fees.

In addition, we are working multilaterally to stop the flow of narcotics from Afghanistan through Central Asia to markets in Russia, Europe and beyond. The Central Asia Regional Information Coordination Center, being established in Kazakhstan, will play a crucial role in the fight against narcotics trafficking. Throughout the region, we have funded the construction of new border crossing checkpoints, including most recently two in Turkmenistan on the Iranian and Afghan borders, respectively.

In Tajikistan we have a good partner in the fight against illicit narcotics. According to the United Nations Office on Drugs and Crime (UNODC), Tajikistan boasts a very high narcotics seizure rate -- the government seized over 2,300 kilograms of heroin and 1,100 kilograms of opium in 2005. Since the withdrawal of Russian Border Forces from the Tajikistan-Afghanistan border last year, we have intensified our assistance efforts with European Union partners to build and equip a network of outposts on that border and to ensure the border troops receive training, equipment, and salaries to do their jobs. In January of this year, with the assistance of our military forces in the region, we provided emergency assistance to Tajik border forces guarding the Afghan border during the long, cold winter. These efforts, together with assistance to the drug control agencies in Tajikistan and Kyrgyzstan, are bolstering the capability to interdict traffickers of illicit materials and have already yielded positive results.

Regional Integration

The second set of our policy priorities in Central Asia involves our energy and commercial interests. To advance regional economic development and integration, we would like to have a strategic dialogue with the countries of the region, including Afghanistan. In partnership with multilateral development banks and other donors -- we want to help build new links among the countries of the broader region and connect them more closely to the rest of the world. One of our leading objectives is to fund a greatly expanded Afghan power grid, with connections to energy sources in Central Asia. It's a winning solution for both sides, providing much-needed energy to Afghanistan and serving as a major source of future revenue for countries like Tajikistan and Kyrgyzstan.

Our vision includes new energy routes that will ensure the next generation of South and Central Asian entrepreneurs have access to the resources they need to prosper. We want to give South Asians access to the vast and rapidly-growing energy resources in Central Asia, whether they are oil and gas in Kazakhstan and Turkmenistan, thermal power in Uzbekistan, or hydropower in Tajikistan and Kyrgyzstan. This vision is within our grasp.

Within the next few years, we expect to see private investment lead to the establishment of a 500 kilovolt power line transmitting much-needed electricity from Central Asia across Afghanistan to Pakistan and India.

Our assistance can foster inter- and intra-regional energy trade, investment, and competition through technical assistance and coordination with relevant international financial institutions. Likewise, diversification of Central Asian economies and the growth of small- and medium-size enterprises outside the energy sector can help create new jobs in the region to extend prosperity. When possible, assistance programs should increasingly incorporate regional links, whether the focus is roads, energy, education, or even training exchanges to include participants from neighboring countries.

Through diplomacy and assistance, we are already doing much to realize this vision. Afghan road improvements have dramatically reduced driving times, thus increasing regional trade. Next year's opening of a U.S.-funded \$36.5 million Tajik-Afghan bridge with customs and border security facilities on each side, linked to the Tajik national highway system by a Japanese-funded road rehabilitation project, will create a safe and reliable ground transportation link within the region. Central Asia has an abundance of existing and potential oil, gas, and electricity sources that the growing economies of South Asia need. Together with other donors, we are exploring ways to export electricity from Central Asia to Afghanistan, Pakistan, and India.

We support establishing multiple, commercially viable pipelines and other new energy transportation routes, because the United States believes that diversification of energy transport routes to and from Central Asia increases stability and energy security, not just regionally but throughout the world. In June, the U.S. Trade and Development Agency will host a forum on the Central Asian electricity sector, which we hope will spur investment and promote further regional cooperation. We are also funding feasibility studies in energy, transportation, and telecommunications, and coordinating with the International Financial Institutions and other donors.

Democratic and Market Reform

The third key pillar of our strategy for Central Asia is to promote freedom through democratic and economic reform, because long-term stability comes from democratic governments that enjoy the trust of their people and that are accountable to them. To paraphrase President Bush, all people, given a free choice, will choose democracy over tyranny. We actively support democracy and civil society in the region not only because it is the right thing to do, but because it creates conditions that lead to greater political and economic opportunity.

Our assistance programs supporting democratic and economic reform in Central Asia continue to yield positive results in a challenging environment by creating better business environments, reforming education, bolstering independent media, encouraging the rule-of-law, developing civil society, improving health care, fighting corruption, developing democratic institutions and electoral processes, and supporting small- and medium-sized

enterprises. At the same time, we emphasize to the governments of Central Asia that repression and a lack of respect for human rights and religious freedom lead to political instability. The OSCE is an important agent for reform in the region, and we have also funded numerous programs in the region through their missions and the Office for Democratic Institutions and Human Rights.

For regional links to flourish and for Central Asian economies to prosper, their governments must redouble their efforts to fight corruption and strengthen the rule-of-law. Ordinary people need to feel that government officials will not use their authority solely to enrich themselves. Similarly, foreign investors must feel confident in the rule-of-law before committing to large and risky ventures. Furthermore, the banking sector must be transparent, and provide access to credit and capital. Encouraging economic freedom means a welcoming investment climate, transparency, and consistent adherence to legal contracts, supported by equitable government enforcement and a strong, independent judiciary. We promote all these reforms with technical assistance to governments that demonstrate their willingness to reform.

The Fundamental Role of Education

A well-educated population is key to freedom and long-term prosperity in Central Asia, and I strongly believe the U.S. can make a major contribution in this area.

Across our region, people feel deeply about the need for education to build a better future. The challenge of assuring that there are adequate, quality schools and colleges that provide needed training is the preoccupation of our friends and of their governments. It is precisely because education is such a deeply held value and deeply felt need that I believe the United States should make it a central element of our regional dialogue.

During my recent trip to the region, I visited the American University of Central Asia in Bishkek, and talked to some of its nearly 1200 students. I was impressed with what I saw. The school is a model of excellence for the region and I am proud that the United States was a key player in its founding and growth. Our support for the school dates back to 1993 and includes faculty development, administrative training, and financial support including a \$10 million endowment. The State Department also provides full four-year scholarships for approximately 17 students from Turkmenistan to attend college. Supporting education is perhaps one of the best ways to strengthen and keep our relationships with the people even when government-to-government relationships may get rocky.

We would like to build on this success story by extending our educational partnerships to elsewhere in the region. For example, we would like to see some of our friends in South Asia working with our Central Asian friends in the development of a regional business school or a regional journalism program. Such programs could attract students and faculty from across the region to develop skills and connections that will serve them in their home countries. In addition, there are tremendous opportunities to support

training for Central Asia's current and future government and business leaders in the premier education institutions of Pakistan and India. USAID is already developing a scholarship initiative to do exactly this, which is not only cost efficient but has tremendous potential to create links that last literally a lifetime.

Another model worth citing is the "Bolashak" exchange program sponsored by the government of Kazakhstan that sends 3,000 young Kazakhs a year to study abroad. This program, administered by an American non-governmental organization with broad experience in organizing academic exchanges with the United States, provides an example of merit-based selection and a commitment to the country's future that will hopefully be emulated by other Central Asian nations.

There are other possibilities as well. The important point is that there is a serious need for more education in Central Asia. The people of the region know this, and we intend to work with them on this challenge.

Country-Specific Challenges and Opportunities

Kazakhstan: Regional Anchor

The United States' strategic partnership with Kazakhstan has gained momentum over the past year with the visits of Secretary Rice to Astana last October and by Agriculture Secretary Johanns and Energy Secretary Bodman this year. We expect that Vice President Cheney's trip to Astana next month will further elevate our strong relations and pave the way for enhanced cooperation. Having undertaken extensive economic reforms, Kazakhstan has an opportunity to achieve stability by upholding standards of democracy and human rights. Kazakhstan can also play a leading role as an investor in regional infrastructure projects, including in Afghanistan. We are also working closely to ensure that Kazakhstan has multiple channels to bring its energy resources to world markets.

Kazakhstan is emerging as a world leader in oil and gas production. U.S. companies have invested heavily there and would like to do more. Transport of energy resources to markets remains a challenge; we are working on securing the flow of oil from Kazakhstan's North Caspian fields via tanker to the Baku-Tbilisi-Ceyhan pipeline and encouraging Russia to agree on terms to expand the Caspian Pipeline Consortium pipeline. Kazakhstan, as well as Turkmenistan, could also be a new source of natural gas for European markets, particularly if a trans-Caspian gas pipeline were built.

Kazakhstan still has major challenges to meet in democratic reform, as illustrated by its December 2005 presidential election, which fell short of OSCE standards. We have encouraged Kazakhstan to lead a new regional "corridor of reform" by working swiftly to implement democratic and additional economic reforms at home. We look forward to increased cooperation on democracy, including implementing OSCE recommendations for electoral reform.

We support Kazakhstan's goal of joining the World Trade Organization (WTO) and have been working with the Kazakhstani government toward that end. WTO membership will support Kazakhstan's long-term growth by lowering barriers to trade and investment and establishing a system based on internationally recognized rules.

Our assistance to Kazakhstan seeks to diversify its economic growth, both geographically and industrially, build momentum on democratic reforms. Our security and law enforcement programs continue to support Kazakhstan's partnership in the Global War on Terror and improve its abilities to fight narcotics trafficking and protect its borders. Our energy and water programs support the development of regional energy markets and water-sharing.

Kyrgyzstan: Reform for Democratic Stability

Kyrgyzstan continues to have strong potential already embarking on a new era of democratic change, Kyrgyz leaders need to fulfill the promise of their "Tulip Revolution" last March and the presidential election last July through bold democratic and economic reform. Primary in importance are the twin problems of corruption and organized crime. The government must tackle these head-on if it wants to maintain credibility with its newly-engaged population and build a fully-thriving democracy. Additionally, we must assist the government in responding to the aspirations of Kyrgyz citizens for a better justice system and more economic opportunities, which will further help Kyrgyzstan to stabilize and better institutionalize their progress and reforms.

Our assistance has been timely and targeted since March 2005. We initiated several new programs, including the U.S. Department of Treasury's economic growth advisor to address emerging reform opportunities and provide much-needed technical assistance to the government. Similarly, the Millennium Challenge Corporation has selected Kyrgyzstan as a Threshold Country -- the first to date in Central Asia. We are currently working with the government to develop a plan to combat corruption and implement wide-ranging judicial reforms, including the courts, police, and prosecutors. We also continue to support independent media, human rights protections, civil society, and electoral reform.

Again, we look to our regional partners for assistance, and plan to encourage India, not only as a good neighbor, but also as a pillar of stability and the largest democracy in the world, to consider providing parliamentary assistance, as they are currently doing in Afghanistan. The OSCE is also an important ally in helping Kyrgyzstan strengthen its democratic institutions, implement electoral reform, and deepen the rule-of-law. Furthermore, we need to increase the range and scope of the American University of Central Asia, which already enrolls more than 80 Afghan students, and establish it as a regional center of academic excellence.

We applaud the government of Kyrgyzstan's current efforts and are committed to working with the Government and citizens of Kyrgyzstan to help advance the reforms

necessary to participate. There is no question that we and all the countries of the broader region have a great stake in Kyrgyzstan's success.

Tajikistan: Civil War No More

Tajikistan has transformed itself from being a civil war-ravaged state to having a stable country with strong economic potential. Today, Tajikistan is attracting outside investment, especially in the field of hydropower. Critical to fostering this positive arc of development is to continue to support democratic and economic reforms.

Our assistance program to Tajikistan promotes democracy and the rule-of-law, strengthens security and law enforcement capabilities, develops the investment climate, and improves social services. In response to last year's transfer of responsibility for the Tajik-Afghan border from the Russian military to the Tajik border guards, we are supporting a large program to help Tajikistan defend its borders from the transit of weapons of mass destruction, illicit drugs, trafficked persons, and potential terrorists.

Tajikistan is in urgent need of investment in order to address its staggering poverty. Increasingly the Tajiks look toward Afghanistan as a land bridge to Indian Ocean ports and South Asian markets. We seek to stimulate such regional and intra-regional cooperation by working with International Financial Institutions and our European, Japanese and South Asian partners.

Uzbekistan and Turkmenistan: Sliding Backwards

In Uzbekistan and Turkmenistan, we are dealing with difficult regimes that are holdovers from the obsolete model of Soviet central control and repression. In these very challenging environments, we must find creative ways to continue supporting the people who deserve the political choices and economic opportunities that their governments do not provide. We are giving crucial financial and moral support to the beleaguered non-governmental organizations and individuals who aspire to build civil society in these difficult environments.

While doing this we need to maintain ties in areas of importance to us, such as improving border controls to combat drug trafficking and enhancing detection of nuclear material to prevent its use by terrorists. We also seek to strengthen our exchange programs where we can. Even though governments in both Turkmenistan and Uzbekistan actively attempt to thwart and stop these programs, it is important to provide these crucial educational opportunities to the talented students and professionals there.

Turkmenistan is dominated by president-for-life Saparmurat Niyazov and the political and economic reform has been minimal or negative since independence. The government continues to commit serious abuses and its human rights record remains extremely poor. Opportunities for education and employment are in severe decline. We are pursuing a policy of focused engagement and careful cooperation with the government.

We will continue to press the government for progress on freedom of religion, assembly and movement for its citizens. Simultaneously, we must provide the people of Turkmenistan with tools for progress and eventual reform, with special emphasis on educational and professional exchanges through non-governmental organizations and exchanges to the United States.

In Uzbekistan we have continued to press for a broad relationship that includes attention to democracy, including human rights and political reform, security cooperation, including on terrorism, and economic cooperation, and we have made clear at the highest levels of the Government of Uzbekistan that our relationship should be based upon progress on all of these fronts, as laid out in our 2002 Strategic Framework Agreement. In response to the tragic events of Andijon in May 2005, we have consistently called for an independent, international investigation into these events. We also undertook an immediate review of U.S. assistance to the central government, canceling many military, border security, and economic reform assistance programs and limiting others. Approximately \$3 million of these funds were reprogrammed to support democracy and human rights programs. Unfortunately, the Uzbek government has so far refused to allow an independent investigation into Andijon, and has chosen to close down non-governmental organizations, independent media sources, and other civil society organizations. We continue to urge the Government of Uzbekistan to reverse its current path and to embrace reform as the only way to achieve long-term stability and to help realize the aspirations of its citizens.

U.S. assistance programs in Uzbekistan focus on working directly with the people of Uzbekistan on human rights, micro-credit lending and agribusiness development, health and education reform, water use management, and community development. The Government of Uzbekistan has hampered the delivery of assistance by implementing banking regulations that slow or prevent the transfer of funds to non-governmental organizations. Many international and local non-governmental organizations have lost their accreditation to work in Uzbekistan, and many others have been harassed.

Nevertheless, we should continue to engage the government of Uzbekistan where it is in our own interest to do so. Security, non-proliferation, narcotics smuggling, and law enforcement programs, when possible in the current political environment, advance key U.S. interests by addressing improved treatment of suspects and detainees, trafficking in persons and weapons, and the proliferation of nuclear and biological materials and expertise.

Conclusion: Assistance Supporting A Regional Vision

The Secretary has articulated a vision for a stable and democratic Central Asia, cooperating between its nations and with the broader region for mutual benefit. In this future Central Asia, students and professors from Bishkek and Almaty can collaborate with and learn from their counterparts in Karachi and Kabul, legitimate trade can freely flow overland from Astana to Islamabad, facilitated by modern border controls, and an

enhanced regional power grid stretching from Almaty to New Delhi will be fed by oil and gas from Kazakhstan and Turkmenistan and hydropower from Tajikistan and Kyrgyzstan.

Our policy objectives for Central Asia are ambitious, but we can not afford to fail. As we pursue our security interests, commercial and energy interests, and democratic and market reform simultaneously, Central Asia can re-establish itself as a commercial and cultural crossroads with greater links to South Asia. Our support to this region is a key ingredient to Afghanistan's stability as well, as to our own security.

Madame Chairman, members of the Committee, thank you again for this opportunity to discuss this important region. I stand ready to take your questions.